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WORLD COTTON PROSPECTS

Summary

Domestic cotton prices have tended to decline during the last 6 weeks. The price at the 10 markets, which reached a high for the season of 13.42 cents on July 10 and averaged 13.08 cents in the week ended July 18, averaged 11.87 cents in the week ended August 22. Probably the most important price depressing influence has been the prospect of a somewhat larger crop in the United States. Also of some importance have been some unfavorable factors affecting the immediate foreign demand situation, namely, the low price of cotton of foreign growth relative to American cotton, continued and even increased obstacles to the importation of American cotton by Italy and Germany, and the Civil War in Spain.

The price of foreign cotton continued to be high relative to American cotton at Liverpool during July and the first half of August. The price of southern Brazilian cotton was especially weak relative to American.

Based on conditions as of August 1, a United States cotton crop of 12,481,000 bales is forecast by the Crop Reporting Board. The indicated yield per acre is 199.7 pounds. This indicated production added to the trade estimated world carry-over of American cotton of about 7,100,000 gives an indicated total supply for the 1936-37 season of about 19,600,000. This is approximately the same supply as last year, and is slightly smaller than the 1923-24 to 1932-33 average of 20,437,000 bales. Of the domestic carry-over of approximately 5,324,000 bales, government financed stocks account for 3,159,000 bales. On August 1, 1935, government financed cotton amounted to 5,088,000 bales.

Domestic cotton mill activity continues to be very high. Cotton consumption during July was 603,203 bales against only 390,712 bales in July of last year. Total consumption for the season was 6,348,423 bales compared with 5,360,867 bales in 1934-35.

European mill activity is fairly high, although conditions vary considerably from country to country. Conditions continue good in England, and in France there has been an improvement in the political and labor situation as it affects the cotton textile industry. However, in Germany and in Italy the problem of paying for cotton imports is affecting seriously the importation and consumption of cotton. In Italy the situation has tended to become worse as a result of failure to regain export markets for cotton textiles, the decline in business for the Government and the granting of fewer permits to import cotton for the completion of government contracts, and continued large stocks of cotton textiles within the country. Prospects for American cotton in Germany are clouded by a barter arrangement between Germany and Brazil and by restrictions imposed by the Governments of both Germany and the United States upon trade between the two countries.

In Japan, mill activity, yarn production and cloth exports are at high levels but American cotton is being replaced to a large extent by foreign cottons, especially Indian and Brazilian.

In China, the importation of and delivery to mills of foreign cottons, especially American, are restricted in anticipation of the movement of the new Chinese crop which is expected to be a record high of 3,400,000 bales.

Cotton acreage planted in India up to August 1 was 3 percent above that sown up to the same time in 1935.

Egyptian cotton acreage in 1936-37 is estimated at 1,781,000 acres or about 3 percent more than the 1935-36 area.

In Argentina, Government agencies are formulating far reaching plans which will have as their specific and immediate purpose the extension of the cotton area in the new 1936-37 season and in the long run, such a removal of obstacles as will permit a wide extension of cotton cultivation into new areas.

Prices

The price of Middling spot cotton at the 10 markets, after reaching a high for the season of 13.42 cents on July 10, has shown a tendency to decline since then. The weekly average price was 13.08 cents for the week ended July 18, 12.98 cents for the week ended July 25, 12.78 cents in the week ended August 1, 12.53 cents for the week ended August 8, 12.24 cents for the week ended August 15, and 11.87 cents for the week ended August 22. The average for the month of July was 12.90 cents. Among price depressing influences during the past few weeks, have been the general beneficial weather conditions affecting crop prospects in the United States and some unfavorable factors featuring the foreign demand outlook, such as the high price of American cotton relative to foreign growths and the disturbance of cotton consumption and industrial activity in general on the Continent as a result of civil war in Spain, exchange restrictions in Germany and Italy, and unsettled political and labor conditions elsewhere.

Prices of foreign cotton continue to be low relative to the price of American. The ratio of three types of Indian to two types of American at Liverpool during July was lower than at any time during the past year with the exception of last August when the ratio of 76.1 was almost the same as the average for this past month. The price of Egyptian Uppers relative to American strengthened somewhat in July as compared with June and the same month last year. However, the price of Brazilian Sao Paulo Fair expressed as a percentage of American Middling was lower than in June, and was the lowest relative price for the month of July since 1930.

Stocks and Movements

The world carry-over of American cotton on August 1 of this season, estimated by the Trade at approximately 7,100,000 bales, compares with 9,009,000 bales on the same date last season and the 10-year average of 6,024,000. Of the total carry-over of about 5,324,000 in the United States, 3,237,000 bales were government-financed cotton and 2,087,000 were in private hands. On August 1, 1935, government-financed spot stocks amounted to 5,088,000 bales and private holdings to about 2,050,000 bales. The indi-

cated carry-over of American cotton in foreign countries is roughly 1,776,000 bales compared with about 1,900,000 bales on August 1 last year and an average of 2,337,000 bales from 1923-24 to 1932-33. Indicated production for the 1936-37 season of 12,481,000 bales 1/ plus a trade estimated world carry-over of about 7,100,000 bales gives an indicated total supply of American cotton for 1936-37 of about 19,600,000 bales, approximately the same as last year and somewhat less than the 10-year average of 20,437,000 bales. However, in the 10 years ended 1932-33, world consumption of American cotton averaged 13,476,000 bales which is 2,138,000 bales more than the consumption of 11,338,000 bales in 1934-35, and 1,000,000 bales more than trade estimates of 12,475,000 bales consumed in 1935-36.

Exports

Exports of American cotton amounted to 156,262 bales in July compared with 279,822 in the same month last season. The high price of American cotton relative to foreign growths, foreign exchange difficulties in Germany and Italy, and the expectation of increased supplies in the near future, as a result of prospects for a new crop in the United States larger than had been thought likely at first, have been important factors tending to discourage exports. Exports for the season ended July 31 were 5,972,566 bales, an increase of 24 percent over last year's very low level of 4,799,000 bales but 25 percent less than average exports of 7,880,000 bales in the 10 years ended 1932-33.

Exports of cotton from Egypt in May, June, and July were 124,464 bales, 99,932 bales, and 85,817 bales respectively, as compared with shipments of 112,601 bales, 94,033 bales, and 84,984 bales in the same months of 1935. Exports for the season ended July 31 totaled 1,688,879 bales against 1,655,169 in 1934-35 and the 10-year average of 1,463,042 bales.

Cotton shipments from Brazil, after lagging behind the corresponding months of the preceding year in February and March, advanced considerably above the level of 1935 in April, May, and June in response to the movement of the new record breaking crop in southern Brazil. Exports in the 3 latter months amounted to 53,109 bales, 52,481 bales, and 119,321 bales respectively, as compared with 39,405 bales, 35,873 bales, and 74,073 bales in the same 3 months of 1935. In addition to the large volume of total exports the most striking aspect of the Brazilian export situation is the great increase in shipments to Japan.

The Textile Situation

United States.-Domestic cotton mills continue to be very active, and cotton consumption is running at a very high rate. Trade reports state that mill sales of unfinished goods were relatively light during the month of July and the first half of August. However, mill stocks are not large, and cloth prices have shown little or no change. The domestic spinning situation can be regarded as favorable in view of the high ratio of unfilled

1/ See section on Production, Acreage and Crop Conditions, page

orders to unsold stocks. Since cotton prices have been tending downward during the past month while yarn and cloth prices have remained firm mill margins have widened. Cotton consumption during July amounted to 603,203 bales compared with 390,712 bales in July of last year. Total consumption for the season was 6,348,423 bales. This compares with a utilization of 5,360,867 bales last year, and an average of 6,182,000 bales in the period 1923-24 to 1932-33.

Europe 2/

United Kingdom.-The cotton marketing season just closed has shown a marked improvement over the 1934-35 season in British imports and deliveries to the mills of both American and competitive growths. The situation of the cotton textile industry at the end of the cotton year, moreover, continued to be characterized, as hitherto, by a level of demand for domestic account sufficient to be pushing mill requirements slowly upward, notwithstanding persistent weakness in export trade, particularly in piece goods, and especially in the closing months of the season. In fact, a substantial import movement of raw cotton in the early part of the new season is indicated by the relatively low stocks and increasing requirements of the mills.

Latest cotton textile reports from the United Kingdom indicate that a fair amount of new business in cotton yarns and cotton manufactures was again booked by British spinners and weavers at the beginning of July, with home trade buyers placing substantial contracts in the cloth section. Business in yarns remained patchy, with only moderate trading in Egyptian and American qualities. Exports continued generally irregular, but somewhat improved demand for South America, together with freer buying for India was reported. Later in the month, business in cloth and yarns was unfavorably, though probably temporarily, influenced by the fluctuations in cotton prices and the resultant reluctance of buyers to follow the advance of prices of raw cotton in contracts for cloth. Unprofitable prices on available foreign business were also a hampering factor. The month ended with business in cotton yarns difficult, the exaggerated advance in Egyptian cotton making especially for hand-to-mouth trading in the fine spinning section. Spinner and merchant demand for raw cotton in July closely paralleled their new sales of goods. Spot and forward deliveries were both rather active, notably in the first half of the month, but profit taking and hedge selling featured the end of July.

Imports of all cotton into the United Kingdom amounted to 3,148,000 running bales during the cotton year ended July 31, 1936. This is the highest season total since 1928-29 and represents a gain of about one-third from the low point in 1930-31. Imports of American cotton totaled 1,471,000 running bales compared with 816,000 last year, 1,359,000 2 years ago, and 1,526,000 3 years ago.

2/ Prepared largely from the report of Lloyd V. Steere, United States Agricultural Attache at Berlin, under date of August 10, 1936.

The import figures for 1935-36 also show a further slow tendency toward an increased use of short staple cotton in British mills. Of the total importations of cotton during the 11 months, August-June, (2,883,000 bales 3/) 8.6 percent was short staple (7/8 of an inch and under) as compared with 3.9 percent, 5.7 percent and 7.4 percent in the corresponding periods of 1932-33, 1933-34, and 1934-35. Imports of long staple cotton (1-1/4 inches and over) were 16.3 percent of the 11 months total, a slightly smaller percentage than in the 3 preceding years. Imports of both short and medium staple cotton from India have been unusually large this season. Brazilian medium staple cotton has dropped back from last year's high figure to the level of 2 years ago.

Takings of cotton by British mills in the season 1935-36 amounted to 2,825,000 running bales, an increase of 8 percent over last year and of 40 percent over the low year 1930-31. American cotton delivered to the mills amounted to 1,356,000 bales, or 48.5 percent of total takings calculated on the basis of running bales. This is a marked improvement over the 37.8 percent of last year, but compares unfavorably with 55.9 percent in 1933-34, 60 percent in 1932-33, and the figures up to 85 percent achieved 15 and 20 years ago.

Total stocks of cotton in the United Kingdom rose during July to the highest level in several months, 758,000 bales, but are still considerably below 1933 and 1934 figures for the same date. Stocks of American cotton, however, were reduced by small importations to only about 280,000 bales, or about an 11 weeks' supply. This is within 100,000 bales of the low figures reached a year ago, and is much below the holdings of 2 and 3 years ago. When the present rate of consumption is considered, there would appear to be a good prospect for substantial importations of American cotton during the early months of the new season.

The substantial character of the current satisfactory level of domestic demand for textile products in Great Britain seems to be indicated by the fact that retail stocks of textiles continue to run lower than a year ago in most lines, and that retail trade, in terms of value, is definitely better than a year ago in most lines.

On the other hand, the unfavorable development of cotton piece goods exports in 1936 has been marked. The quantity of such exports in the 6 months January-June 1936, was 8 percent below the same period last year and 15 percent less than 3 years ago. Exports of cotton yarn, however, have risen by 8 and 15 percent over the same years, but these represent only about 40 percent of the volume of cloth exports.

Price fixing schemes for cotton yarns.- Efforts continue to be made in Great Britain to arrange a price fixing scheme for cotton yarn. The success of the agreement in coarse American counts, which has now been in force for about 2 years is encouraging these ideas, and a draft agreement covering medium mule yarns is reported to have been approved and circulated to the establishments affected, which control about 5,000,000 spindles. Yarn doublers are also expected to draw up some agreement in the near future.

3/ Weight divided by 478 pounds.

Germany.- The cotton textile situation in Germany during June and July was characterized by somewhat quieter season/21 tendencies, though many cotton mills did an active business in flag and other decorative material for the Olympic Games, which assumed nation-wide importance. Orders for fall business had not yet been received in any volume by the mills.

The principal developments in the cotton situation in recent months, however, clearly lie in the field of raw material imports. The downward tendency, which set in 6 months ago after materially enhanced takings in the last half of 1935, made further progress, and imports are now running at rather low levels. Along with this general reduction in cotton imports during the past several months has come a significant decline in importations from the United States.

At the close of July, the situation was further complicated by an official prohibition of barter transactions with the United States and of the use of Aski accounts, register marks and other methods of facilitating the German exports to the United States, all of which are so essential to the purchasing of American cotton. The immediate effect is expected to be a further and sharp curtailment of imports of American cotton, but much depends upon the attitude of the Reichsbank toward the use of "devisen" 4/ for cotton, upon the development of exports and upon the availability of other supplies of cotton.

In this connection, it is credibly reported that the new trade arrangement of June 1936 between Germany and Brazil opens up possibilities for obtaining some 286,000 bales of 478 pounds net of Brazilian cotton on a compensation and clearing basis. This is considerably more than the already very large imports of the past 2 years.

German imports of raw cotton during the 11 months ended June 30, 1936 amounted to 1,282,000 bales as compared with only 1,042,000 in the same period of 1934-35, and 1,753,000 and 1,679,000 respectively, 2 and 3 years ago. Imports from the United States August-June 1935-36 were 420,000 bales, compared with only 332,000 in August-June 1934-35, but 1,212,000 and 1,287,000 respectively, 2 and 3 years ago. Importation from Brazil reached a record level of 231,000 bales in August-June 1935-36, compared with only 217,000 in the same period of last year and insignificant amounts in previous seasons. Recently, the imports from Brazil have again been on the increase, following a downward movement since last fall.

The activity of German cotton mills still appears to be at relatively satisfactory levels. Less desirable qualities of raw cotton and inferior spinning materials, such as regenerated cotton 5/ and cotton waste, continue to find wider use in cotton mill consumption. Similarly, the use of staple

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4/ Foreign exchange which can be spent anywhere and can be used by the receiver to purchase goods anywhere in the world market, ordinary foreign exchange as distinguished from Aski accounts, blocked or compensation currency arising from barter transactions which must be spent according to some prearranged plan and does not enter into the official foreign exchange market. A recent estimate placed "devisen" purchases as 40 percent of the total.
5/ Fibre reclaimed from rags.

fibre by cotton spinning mills has been steadily increasing since the first of the year, and it is expected that the 1936 production of staple fibre in Germany will amount to an equivalent of, roughly, 185,000 bales of raw cotton compared with only about 70,000 in 1935. In this connection, a new ordinance of the Supervisory Office for Cotton Yarns and Cotton Fabrics is of significance.

This ordinance, which is dated June 24, 1936 and became effective July 1, 1936, indicates that the utilization of cotton yarns in ribbon, rubber, curtains, net and lace production is to be limited to specified quantities. This is to bring about an increased utilization of rayon and staple fibre in those products. This policy seems to be greatly favored by the currency authorities, notably as a result of the fact that about 40 percent of the raw cotton imported into Germany must be paid for in "devisen". (See footnote on preceding page.)

On July 31, 1936 the Cotton Supervisory Office announced that, effective November 1, 1936 staple fibre or continuous filament rayon shall constitute not less than 16 percent by weight of the spinning material employed in knitted and woven goods of all kinds containing cotton, including undergarments, stockings and socks. Exceptions to the ordinance are permitted in the case of goods produced for exports, and in certain other instances upon permit. Glove materials and outer clothing are not affected.

The official press announcement of the decree stated that the compulsory admixture of 8 percent staple fibre in medium cotton yarns, which was decreed in February, had been so successful that even up to 16 percent admixture was now common practice, and implied that this fact had led to the new decree.

The export business of the German cotton textile industry continues to make progress. Both cotton yarn and cotton fabrics have held up well at the considerably enhanced levels of the fall and winter months, with the export subsidies applied in all branches of the industry since about the middle of 1935, and prolonged for another year, playing an important role. This development assumes major importance in the light of its potential significance as a source of foreign exchange to buy raw cotton now that Aski accounts, etc., are prohibited in trade with the United States.

Czechoslovakia.- There are indications that the spring and summer improvement in the cotton situation in Czechoslovakia was relatively limited, although trade reports now speak of a notable betterment in the employment of the industry and of a slight rise in exports of fabrics. It is clear that principally, domestic demand has been responsible for most of the recovery. It is not expected that the removal of the sanctions against Italy will change greatly the export situation of the Czechoslovakian cotton industry, since it had not profited much from the discontinuance of Italian textile exports to southeastern Europe. Trade with Yugoslavia might, however, be somewhat affected.

There has been a reaction following the rather heavy Czech importations of raw cotton in the winter months, but the present level of takings is still considerably above last year. Total imports of raw cotton during the 10 months ended May 31, 1936, amounted to 369,000 bales of 478 pounds net weight compared with only 254,000 and 304,000 bales 1 and 2 years ago. It is evident, according to Czech reports, that the higher raw cotton imports must be attributed not only to increased mill consumption, but also to a tendency on the part of the industry to acquire raw material stocks in anticipation of further governmental measures to restrict imports. As indicated last month, this situation has not escaped the attention of the National Bank, and some observers believe that the Bank may resort to some sort of currency and purchase quotas for individual firms.

It is reported from Prague that a Government ordinance appeared on July 24, 1936, introducing compulsory cartelization of the textile industry, including cotton. This will take place upon application of 75 percent of the total producing capacity in the respective textile branch(calculated by total turnover, raw material consumption, wage and salary payments or the total number of employed)provided that this majority comprises at least one-fourth of all firms. The syndicate will regulate terms of sales and payment, may eventually allocate production for the domestic market, and will actively promote exports. Details of the project are not as yet known.

Austria.- The last quarter of the cotton year has been one of declining mill business and mill activity in the Austrian cotton textile industry. Because of restriction in exports to Rumania, the Austrian cotton spinning mills experienced a severe decline in unfilled orders which, at the end of May, the latest date for which a fiture is available, stood at 125 percent of the average for 1923-31 compared with 192, the high point reached at the end of January this year. Even at the present reduced level, however, the mills are still supplied with unfilled yarn orders considerably above those held at the same time in previous years. The decline in Austria does not yet seem to have attained the dimensions which the industry anticipated in the spring, and the present rate of occupation may still be considered as very satisfactory, both in spinning and weaving mills.

The importation of raw cotton into Austria so far this season has continued much above that of last year, although there has been a slightly, and partly seasonal, downward tendency since the winter months. Austrian raw cotton imports from August to May 1935-36 amounted to 161,000 bales of 478 pounds net weight, as compared with only 120,000 bales in the same period last year, and 115,000 bales 2 years ago. Imports from the United States in the same period of 1935-36 reached 97,000 bales of 478 pounds net weight, as compared with only 69,000 last year and 78,000 2 years ago.

In Austria as in Czechoslovakia, there have been efforts aiming at the formation of a cartel, or syndicate, of the cotton weaving mills. These have not as yet achieved tangible results in Austria, but are expected by some industrialists to end in the formation of an actual cartel in the autumn. The professed aim of the organization is to bring about an increase in weavers' margins, part of which would be paid into a fund destined to pay

indemnities to closed-down plants. In judging these plans it should be borne in mind that there is no over capacity, absolutely, in Austria in respect to cotton weaving looms, though some of the machinery in place is obsolete. An arrangement, such as the reports suggest is going to be made, would doubtless prevent needed modernization and reorganization and would work toward maintenance of an unhealthy situation. The case for destroying or "insulating" "over capacity" is different, for example, than in Czechoslovakia where there seems to be little hope for an early return of a level of occupation that would give sufficient employment for existing machinery. The fundamental difference between the Czechoslovakian and Austrian situation is that the former country is largely dependent upon exports whereas the latter, in its weaving branch, does not have enough cloth mill capacity to satisfy its entire domestic requirements.

France.-The usual summer quietness was apparent in the French cotton textile industry in July, but the general flow of business, both for cotton yarn and cotton cloth was quite satisfactory, particularly if compared with the month of June when the strike prevailed. The general situation now seems to be a fairly satisfactory one again, for as in the past quarter, the industry as a whole, has resumed the upward trend which set in around the middle of last year.

Indices of spinning mill activity continue to show a rate of occupation some 30 percent above last year, and the available figures on weaving mill activity indicate about the same amount of increase in employment as the spinning branch reports. Unfilled orders on hand in spinning and weaving mills showed a steady rise to the end of April, the latest month for which there are actual figures, and the stocks of cotton yarn and cotton fabrics have further declined. Thus, with fundamentally sound conditions in the French cotton textile branch (gold standard disregarded), it is evident that the discontinuance of the deflationary economic policy last year contributed greatly toward a revival of sales and mill activity in cotton.

Imports of raw cotton so far this season are running much above last year, amounting to 1,107,000 bales of 478 pound bales from August to April 1935-36, compared with only 724,000 bales in the same period last year, and 1,213,000 in 1933-34. Imports from the United States during the 9 months ended April 30, 1936, were 650,000 bales compared with only 337,000 last year, but 812,000 2 years ago.

Observers of the French cotton textile situation have repeatedly expressed the opinion that there will certainly be a continuance of the recovery that has been made so far, if the present political regime continues a policy of general economic stimulation. Whether this will be possible without devaluation of the franc, will depend, partly, upon price and currency movements in the world at large. The generally favorable outlook for the French cotton industry to profit from general economic recovery has been somewhat clouded recently by the heavy increase in costs incident to wage increases, the introduction of paid leave, and the reduction of working hours. It will certainly be difficult to offset these increases in cost by higher sales prices, and an at least temporary curtail-

ment of operations sooner or later, as a result of unfavorable price-cost relationships, is not altogether improbable. Notwithstanding the undoubted benefits to the industry of any general strengthening of purchasing power, which might make possible increases in sales prices needed to restore a price-cost equilibrium, there is an impressive concensus of opinion that a successful economic policy without an adjustment of the franc has become more improbable than ever, as a result of the increase in wage and cost levels incident to the strike results and subsequent social legislation.

Italy.-General quietness has prevailed in the Italian cotton and cotton textile trade since the end of May, as it became more and more apparent that heavy buying of cotton goods and yarns during the past winter and early spring, in anticipation of the sanctions, had resulted in general overstocking by manufacturers and the cotton goods trade. High domestic prices of yarns and finished goods have apparently curtailed consumption greatly and the trade, in the face of expected changes in the general situation following the successful termination of the Ethiopian war, has been generally reluctant to absorb the finished goods and yarns at the high prices at which they have been held.

The situation has been further aggravated by developments in July, among the most important of which were the sudden cancelation of government contracts for the army, the failure of cotton textile exports to revive after the lifting of sanctions, and the further restriction of raw cotton imports. The cumulative effect of these factors is reliably reported to have been a further curtailment of mill production, the shortening of hours and even the closing down of some plants.

The failure of exports to revive is principally due to the high level of textile prices in Italy itself, but in part also, to the attitude of the Italian Government, which has been unwilling to permit exports to countries where the proceeds were likely to be impounded to satisfy claims "frozen" in Italy as a result of the sanctions. These claims, the Italian Government insists, must be paid off gradually through increased exports to the creditor countries. To date this attitude is effectively blocking the regaining of textile export outlets and, even though agreements may eventually be reached, it will doubtless be a difficult and lengthy struggle to get back the markets that have been lost.

The further curtailment on imports of cotton in July is a result of the withdrawal of permission to import cotton to replace raw material used in government contracts, and the imposition of certain restrictions on imports of cotton even for the replacement of exported goods (hitherto freely permitted). It is understood that, at least temporarily, up to 75 percent of the proceeds of foreign exchange derived from exports of cotton yarn and cloth can be used to buy cotton. When goods exported contain less than a certain percentage of cotton, the exchange for purchase of raw cotton is proportionately reduced. The difference between 75 percent, or a lower figure, and 100 percent of the export proceeds must be surrendered

to the National Bank. The aim is thus to assure that there shall be no loss of foreign exchange on such transactions. This being the case, it may greatly influence Italian ability to regain textile outlets in the Balkan area where such widespread control of exchange is in effect.

One additional reason for curtailing raw cotton imports at this time is thought to be the probable desire of the authorities to force the utilization of present large stocks of goods, which, incidentally, are not only high priced, but also understood to consist, to a considerable extent, of products made with less desirable mixed materials or substitutes.

Receipts of all cotton in leading Italian ports in July 1936 are reported to have been about 30 percent under the same month last year. Takings of American, Indian, and Egyptian were said to be even more reduced, but arrivals from Argentina and Brazil materially increased as a result of Italian trade agreements with those countries.

The creation of a company to study and promote the production of cotton in Abyssinia has just been announced in "Il Sole" of July 29, 1936. The company, which has an initial capital of 2,000,000 lire, has the official backing of the National Facsist Federation of the Cotton Industry and of the Italian Cotton Institute, and has full power to acquire necessary concessions and equipment to carry out its purpose.

Russia.- Production of cotton fabrics during the first half of 1936 is reported to have amounted to 1,437,000,000 yards. This is 18 percent above the reported figures for the first half of 1935 and 2 percent above plan. The quantity of high quality fabrics produced is reported to have increased. Output of finished fabrics during the first 6 months of 1936 was as follows:

1936	Finished fabrics	Yarn
	1,000 yards	1,000 bales 400 pounds
Jan.	228,781	165
Feb.	230,531	158
Mar.	249,888	159
Apr.	228,453	161
May	226,266	162
June 1/	272,832	
Total	1,436,751	805

1/ Preliminary and possibly too high, since calculated on the basis of a figure for the first 6 months and monthly data for January to May, inclusive.

Japan 6/.- Yarn production in July amounted to 294,608 bales of 400 pounds each. This compares with an output of 283,076 bales in the same month last season, and is the largest production for any July on record. However, total yarn production for the year from August to July of 3,536,915 bales is slightly less than last season's output of 3,634,341 bales. The high level of yarn output during July and current trade reports indicate that there was probably about the same degree of activity in July as in June.

Yarn production in June was 308,524 bales, the largest output for the month on record. Cloth exports were 225,085 square yards during June compared with 201,073 square yards in June 1935. Exports during the 10 months September to June, however, amounted to 2,220,919 compared with 2,255,108 square yards in the same 10 months of the 1934-35 season. Decreases in shipments to the Netherlands Indies, China, and Hongkong were not fully offset by enlarged exports to British India, Egypt, Africa, and the United States.

Total imports of raw cotton were next to the largest ever received in June. Imports of American cotton, although slightly larger than in June 1935 were 13,000 bales below the 5-year average, and represented a smaller percentage of total imports than had been the case in any previous June for which records are available. The share of American was a little over 21 percent compared with an average for the last 5 years of more than 38 percent and between 30 and 31 percent in June 1935. Imports of Indian, Egyptian, Chinese, Brazilian, and African cotton were much larger than in June 1935. Imports of Indian of 200,258 bales in June were nearly twice as large as the imports of American. However, for the period from September to June imports of American cotton totaled 1,435,733 bales, or slightly more than the 1,314,298 bales received from India. Imports of American were slightly below those for the same period in the preceding season, while imports from India increased nearly 10 percent. Imports of Chinese cotton and miscellaneous growths, especially Brazilian and African cottons, were 134,532 and 177,033 bales respectively and were approximately two and one-half times as large as the imports of these cottons in the same 10 months of the 1934-35 season.

China 7/.- The movement of yarn and piece goods has been relatively good during the last few months as a result of some improvement in general economic conditions. However, yarn production from October to April of the season just closed was somewhat below output during the same months last year. Production of the coarsest yarns declined considerably, but was offset in part by an increase in the output of medium quality yarns. Total yarn production from October to April amounted to 1,034,250 bales of 400 pounds against 1,159,200 bales during the same period in the 1934-35 season.

6/ Prepared largely from a cable from Agricultural Commissioner O. L. Dawson, Shanghai, under date of August 6, 1936.
7/ Prepared largely from a cable from Agricultural Commissioner O. L. Dawson, Shanghai, under date of August 14, 1936.

Both Japanese and Chinese owned mills are interested in securing cotton from the new Chinese crop, some of which will be available in the early part of September. There has been some hesitation in the buying of cotton due to the expectation of the movement of the new crop to market. The new crop is expected to be a large one which will put China on an export basis for short staple cotton with a consequent lowering of prices. Imports of cotton into China from October to June amounted to 151,331 bales compared with 232,484 bales last season. While imports of Indian and Egyptian declined, most of the decrease was accounted for by a drop in imports of American. American cotton received in China totaled only 48,612 bales compared with 115,001 bales in the same 9 months of the 1934-35 season. Deliveries of all cotton to Shanghai mills amounted to 1,213,000 bales between October and July of this past season, an increase of about 50 percent over deliveries of 808,000 bales in the same 10 months of 1934-35. Deliveries of American and Indian cotton declined from 134,000 to 52,000 and from 88,000 to 69,000 bales respectively while deliveries of Chinese cotton nearly doubled, rising from 557,000 to 1,057,000 bales.

Production, Acreage and Crop Conditions

United States.- The August 1, 1936 consolidated cotton report of the Crop Reporting Board estimates the new crop at 12,481,000 bales of 478 pounds net. This production represents an estimated average yield per acre of 199.7 pounds from 29,924,000 acres. This compares with an actual production and yield for last year of 10,638,000 bales and 186.3 pounds respectively. In 1934-35 production amounted to 9,636,000 bales, the 5 years 1928-29 to 1932-33 averaged 14,667,000, and the 10 years 1923-24 to 1932-33, 14,414,000 bales. This season crop conditions are poorer than at the same time last year, and are poorer than they were on an average from 1923-24 to 1932-33 in Georgia, North Carolina and South Carolina, and are poorest of all in Oklahoma. In the other important producing States conditions are better than the 10-year average and are about as good or better than last year.

India.- The first estimate of Indian cotton acreage places the acreage sown up to August 1 at 15,769,000 acres. On the same date last year the sown area amounted to 15,271,000 acres. On an average in the 10 years 1923-24 to 1932-33 the area planted up to August 1 represented 57.6 percent of the final estimate of total acreage for the season. Assuming that the same relationship which prevailed on the average during that 10-year period was to hold this year, total Indian acreage in the 1936-37 season would be 27,376,000 acres, against 25,138,000 in this past year. It must be noted, however, that a forecast of final acreage based upon an average of the percentage of total acreage planted up to August 1 during previous years necessarily results in a very rough estimate because of the fairly wide variation from year to year in the portion of total acreage planted by August 1. Between 1923-24 and 1932-33 this percentage ranged from 47.5 in 1924-25 to 62.5 in 1930-31.

China.- The present estimate of the Chinese cotton crop, according to Agricultural Commissioner Dawson at Shanghai, is for an output of about 3,400,000 bales. The harvesting of a crop of this size would mean a new record high production. The previous record crop was 3,100,000 in 1934-35. Output in 1935-36 was 2,600,000 bales and averaged 2,471,000 bales in the 5 years ended 1934-35.

Providing the new crop is of the size expected, China will be on an export basis for short staple cotton. China probably will be able to export about 300,000 bales, most of which would be expected to go to Japan. However, the volume of Chinese exports will depend not only upon the demand of the cotton industry in China, but also upon the extent to which the price of Chinese cotton declines relative to other growths, especially Indian. Should cotton exports from China amount to anything like 300,000 bales, total exports will doubtless exceed imports of all kinds by a considerable margin. However, it is not likely that the large Chinese crop will reduce imports of American cotton below the low level of this last season because of the unusually small stocks of American cotton at the present time and the necessity for using American in the spinning of some of the better quality yarns

Egypt.- The Ministry of Agriculture's estimate of Egyptian cotton acreage in the 1936-37 season is 1,781,000 acres or 3 percent above the 1935-36 area. There has been an increase, as compared with last season, of between 6 and 7 percent in the acreage of the "short staple" Ashmouni and Zogora varieties. The area planted to Sakellaridis declined over 45 percent, but there was an increase of over 50 percent in the acreage planted to Giza 7, a long-stapled variety which is somewhat shorter than Sakellaridis, but has a higher yield per acre and a greater gin turn-out.

Argentina.- The Argentine Ministry of Agriculture has announced the preparation of a plan for the expansion of cotton acreage during the coming crop year of 1936-37. In addition to pointing out the progress in the Chaco and the increase in population and in area devoted to cotton growing which is expected to take place as a result of the recent opening of the North Argentine Central Railway, the Ministry of Agriculture and the Subcommission of the National Cotton Board for Cotton Expansion and Colonization indicated that serious attention will be given to overcoming the obstacles which hamper the expansion of cotton acreage in areas outside the Chaco. Other provinces in Northern Argentina which are suited in soil and climate to cotton production are Salta, Santa Fe, Formosa, and Corrientes. The chief barriers to the extension of cotton growing in these areas are lack of transportation, sparsity of population, and a lack of knowledge of cotton growing on the part of the farmers. It is planned to overcome or greatly lessen these disadvantages by: the building of roads, moving a large number of farmers from areas in which they had settled with the intention of producing wheat but in which wheat growing had proved unprofitable, granting liberal credits by the national bank, experimental plots, and intensifying education and propaganda on cotton growing by the Regional Agronomists and other representatives of the State.

Cotton production in Argentina has increased rapidly during recent years. The first official estimate of production and acreage in 1935-36 is for a production of 353,751 bales from 783,354 acres. This compares with a final estimate for 1934-35 of 295,352 bales and 707,069 acres. In the 5-year period 1928-29 to 1932-33 production and area averaged approximately 145,000 bales and 308,000 acres respectively.

Russia.- The preliminary estimate of the 1935-36 crop from Russian sources still stands at approximately 2,500,000 bales. It is believed, however, that there will be some downward revision of this figure to probably something like 2,250,000 bales. The 1936-37 plan calls for a crop of over 3,000,000 bales, but it seems improbable that such a high figure will be reached although there is quite likely to be some increase over 1935-36.

Cotton, American: Exports, production, carry-over, supply, consumption, and price per pound, 1928-29 to date

Season beginning Aug. 1	American								
	Domestic exports from the U. S.	United States production	Total carry-over beginning of season: In United States	Total carry-over beginning of season: World	Government-financed stocks, beginning of season: Spots	Government-financed stocks, beginning of season: Spots & futures	Total supply	Consumption in United States	Prices at 10 spot markets
	1,000 running bales	1,000 bales of 478 lb. net	1,000 running bales	1,000 running bales	1,000 running bales	1,000 mixed bales 1/	1,000 mixed bales 2/	1,000 running bales	Cents per pound
1928-29	8,044	14,477	2,425.6	5,114			19,591	6,778	18.67
1929-30	6,690	14,825	2,129.8	4,409			19,234	5,803	15.79
1930-31	6,760	13,932	4,321.7	6,287		3/ 1,312	20,219	5,084	9.61
1931-32	8,708	17,097	6,262.7	8,868		3/ 3,393	25,965	4,744	5.89
1932-33	8,419	13,003	9,580.5	12,960		3/ 2,379	25,963	6,004	7.15
10-yr. average 1923-24 to 1932-33	7,880	14,414	3,686.9	6,024			20,437	5,927	16.53
1933-34	7,534	13,049	8,081.1	11,588	1,129	1,555	24,635	5,553	10.31
1934-35	4,799	9,636	7,647.5	10,634	3,002	3,037	20,270	5,241	12.36
1935-36 4/ ..	5,973	10,638	7,137.5	9,009	5,088	6,027	19,647	6,219	11.55
1936-37 4/ ..		12,481	5,324.0	5/ 7,100	3,237	3,237	19,581		

Division of Statistical and Historical Research, Bureau of Agricultural Economics. Exports, carry-over in United States and consumption in United States of American cotton from Bureau of Census. Production of American from Crop Reporting Board. Carry-over of American and all kinds from official and trade sources. Supply is production plus carry-over. Consumption in world from International Federation of Master Cotton Spinners' and Manufacturers' Associations. Price from records of the Division of Cotton Marketing.

1/ Spots in running bales and futures in bales of 500 pounds. 2/ Production in bales of 478 pounds net, carry-over in running bales. 3/ Federal Farm Board. 4/ Preliminary. 5/ Estimates of the New York Cotton Exchange.

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